

October 19, 2011

Reco	Previous Reco
Buy	Buy
CMP	Target Price
Rs 307	Rs 435

EPS change FY12E/13E (%)	NA
Target Price change (%)	NA
Nifty	5,038
Sensex	16,748

Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	(11)	(13)	(3)
Rel. to Sensex	(3)	(2)	(0)	17

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Agri-input & Chemicals
Bloomberg	CRIN@IN
Equity Capital (Rs mn)	282
Face Value(Rs)	1
No of shares o/s (mn)	282
52 Week H/L	376/218
Market Cap (Rs bn/USD mn)	87/1,765
Daily Avg Volume (No of sh)	175989
Daily Avg Turnover (US\$m)	1.1

Shareholding Pattern (%)

	Sep-11	Jun-11	Mar-11
Promoters	64.0	64.0	64.1
FII/NRI	11.3	10.8	10.1
Institutions	8.5	8.8	9.0
Private Corp	2.1	2.2	2.2
Public	14.2	14.3	14.6

Source: Capitaline

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- **Q2FY12 APAT of Rs 2.6 bn, +17%yoy, was ahead of est driven by higher than estimated EBITDA margins at 13.8% (85bps yoy / 130bps qoq)**
- **Revenue growth of 5.7% yoy to Rs 27.2 bn despite 12% decline in volumes (emkay est) is led by higher fertiliser prices which were up by 30-40% yoy**
- **Volume growth to pick up in H2FY12 due to improved availability of phos acid from Tunisia and increased imports of MOP to facilitate higher NPK production**
- **Announced bonus debenture of Rs 15 / - for every one share, Maintain estimates of Rs 26.4/Rs 32.3 for FY12 & FY13 resp and maintain our BUY reco on the stock**

Despite volume decline, revenues increased by 6% yoy supported by higher fertiliser prices

Coromandel International reported revenues of Rs 27.2bn, 6% yoy, higher than our est of Rs 24.8bn. Despite overall sales volumes declining by 12% yoy to 898,000 mt, revenues increased by 6% yoy as higher fertiliser prices boosted topline. Complex fertiliser prices have increased by more than 70% yoy post the implementation of NBS in April 2010 as companies have been able to pass on the cost increases.

EBITDA margins throw a surprise; improve by 85bps yoy/135 bps qoq

Coromandel reported EBITDA of Rs 3.8bn, +13% yoy, higher than est of Rs 3bn. EBITDA margins improved by 85bps yoy/135bps qoq to 13.8% against est of 12%. We believe the sharp improvement in margins is primarily because of improvement in non-subsidy business & also fertiliser business where company has been able to pass on any cost increases on to the farmers. Company reported APAT of Rs 2.6bn, 17% yoy against est of Rs 1.96bn. AEPS for the quarter stood at Rs 9.3. APAT has been adjusted for 1) Rs 427mn related to losses on bonds sale and 2) reversal of provision on MTM of Rs 689mn included in other operating Income.

Volumes to pick up in H2FY12 on improved availability of raw material

Fertiliser volumes have been affected due to lower availability of raw material since phos acid availability from Tunisia was disrupted and potash imports were minimal due to concern over pricing. However the same has improved from the current quarter (as Sep'11 manufacturing sales volumes picked by 9%) and is likely to support revenue growth in H2FY12.

Maintain estimates & re-iterate BUY

We believe that company's efficient raw material management will help them maintain EBITDA margins while pick up in volume in H2FY12 will drive revenues. We maintain our estimates of Rs 26.4/32.3 for FY12/FY13 and reiterate our BUY recommendation on the stock. Company has also announced bonus debenture of Rs 15 / - for every one share held in the company which is positive for the stock.

Financial Snapshot

Rs Mn

	Net	EBITDA		EPS	EPS	RoE	EV/			
YE-Mar	Sales	(Core)	(%)	PAT	(Rs)	% chg	(%)	P/E	EBITDA	P/BV
FY10	62,388	5,787	9.3	3,953	14.1	(17.5)	30.1	22.0	16.6	5.8
FY11	73,410	7,961	10.8	5,160	18.4	30.5	29.8	16.9	11.6	4.5
FY12E	97,619	11,250	11.5	7,419	26.4	43.8	34.0	11.7	7.8	3.6
FY13E	112,424	13,785	12.3	9,069	32.3	22.2	33.5	9.6	6.3	2.9

Key Financials – Quarterly

Rs mn

Rs mn	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY (%)	QoQ (%)
Revenue	25,761	20,503	11,796	17,665	27,241	5.7	54.2
Expenditure	22,421	18,264	11,129	15,461	23,477	4.7	51.8
as % of sales	87.0	89.1	94.3	87.5	86.2		
Consumption of RM	19,832	15,918	9,027	12,926	20,734	4.5	60.4
as % of sales	77.0	77.6	76.5	73.2	76.1		
Employee Cost	467	470	455	490	529	13.1	7.9
as % of sales	1.8	2.3	3.9	2.8	1.9		
Other expenditure	2,121	1,875	1,648	2,046	2,213	4.3	8.2
as % of sales	8.2	9.1	14.0	11.6	8.1		
EBITDA	3,340	2,238	667	2,203	3,764	12.7	70.8
Depreciation	167	161	149	143	136	(18.6)	(5.2)
EBIT	3,174	2,077	518	2,061	3,629	14.3	76.1
Other Income	230	188	196	193	185	(19.4)	(4.0)
Interest	223	212	219	246	188	(15.8)	(23.8)
PBT	3,180	2,053	494	2,007	3,626	14.0	80.7
Total Tax	954	616	90	620	1,026	7.5	65.5
Adjusted PAT	2,226	1,437	404	1,387	2,600	16.8	87.5
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0		
APAT after MI	2,226	1,437	404	1,387	2,600	16.8	87.5
Extra ordinary items	1296	66	322	202	188		
Reported PAT	3,522	1,503	726	1,589	2,788	(20.8)	75.5
Reported EPS	12.6	5.4	2.6	5.7	9.9	(20.8)	75.5

Margins (%)						(bps)	(bps)
EBIDTA	13.0	10.9	5.7	12.5	13.8	85	135
EBIT	12.3	10.1	4.4	11.7	13.3	100	166
EBT	11.5	9.1	2.5	10.3	12.6	118	236
PAT	8.6	7.0	3.4	7.9	9.5	90	169
Effective Tax rate	30.0	30.0	18.2	30.9	28.3	(171)	(259)

Source: Company, Emkay Research

Q2 volumes decline due to lower imports; however increase in indigenous NPK volumes provide some support

Coromandel reported volumes of 898,000mt (emkay est), -12% yoy, for the quarter. Manufactured volumes declined by 8 % yoy to 772,000mt however trading volumes declined by 32% yoy to 126,000mt during the quarter. The decline in volumes could be attributed to the delay in subsidy negotiations due to which govt. declared potash holiday during Q1FY12. Further, increased volatility in global DAP prices also resulted in lower imports of DAP. However, Coromandel has focused more on NPK fertiliser manufacturing during this period, in order to ensure judicious use of raw material (phos acid). Consequently, Coromandel's NPK volumes increased by 1% yoy to 700,000mt.

Potash contracts signed in Aug- 11 would support volumes in Q3

The deadlock between Indian potash importers and global suppliers of MoP over pricing of imports for FY12 continued till August 3, 2011 when finally Tata Chemicals & Coromandel International signed contracts with Canpotex to purchase MoP at \$530/mt. Though delay in the signing of potash contracts negatively impacted volumes in Q2, however we expect volumes to pick up in Q3 as raw material availability increases.

DAP prices raised further to Rs 19,000/mt to account for recent depreciation of rupee

Our channel checks with few farmers and fertiliser dealers suggest that companies have already announced a price hike of 6-10% (DAP prices increased to Rs 19,000/mt) effective from 1st Oct, 2011. We believe that the recent price hike is mainly to compensate for depreciating INR / US\$. For the subsidy calculation of raw material, government has fixed INR / US\$ at 45.6 while at current level of INR / US\$ at 49, cost of imported raw material has already increased by 7-8%.

Key Financials

Income Statement

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
Net Sales	62,388	73,410	97,619	112,424
Growth (%)	(33.6)	17.7	33.0	15.2
Expenditure	56,601	65,449	86,369	98,640
Materials Consumed	48,875	56,951	77,021	79,008
Power & Fuel	694	763	839	1762
Other Manufacturing Exp	1,706	1,877	2,065	4,336
Employee Cost	1,450	1,595	1,754	3,683
Other Exp	3,876	4,264	4,690	9,850
EBITDA	5,787	7,961	11,250	13,785
Growth (%)	(24.8)	37.6	41.3	22.5
EBITDA margin (%)	9.3	10.8	11.5	12.3
Depreciation	594	619	827	964
EBIT	5,193	7,342	10,423	12,820
EBIT margin (%)	8.3	10.0	10.7	11.4
Other Income	1,362	821	1,424	1,500
Interest expenses	782	839	723	723
PBT	5,773	7,324	11,123	13,596
Tax	1,819	2,164	3,704	4,528
Effective tax rate (%)	31.5	29.5	33.3	33.3
Adjusted PAT	3,953	5,160	7,419	9,069
Growth (%)	(17.3)	30.5	43.8	22.2
Net Margin (%)	6.3	7.0	7.6	8.1
(Profit)/loss from JVs/Ass/MI	-	-	-	-
Adj. PAT After JVs/Ass/MI	3,953	5,160	7,419	9,069
E/O items	736.0	1,805.4	-	-
Reported PAT	4,689	6,965	7,419	9,069
PAT after MI	3,953	5,160	7,419	9,069
Growth (%)	(17.3)	30.5	43.8	22.2

Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
PBT (Ex-Other income)	4,411	9,804	9,700	12,097
Depreciation	594	621	827	964
Interest Provided	782	868	723	723
Other Non-Cash items	2,115	3,772	-	-
Chg in working cap	526	(3,065)	669	(4,171)
Tax paid	-1,819	-2,949	-3,704	-4,528
Operating Cashflow	6,608	9,051	8,216	5,086
Capital expenditure	(2,210)	(2,439)	(1,500)	(2,000)
Free Cash Flow	4,398	6,612	6,716	3,086
Other income	1,362	-	1,424	1,500
Investments	(60)	67	-	-
Investing Cashflow	1,302	67	1,424	1,500
Equity Capital Raised	(600)	60	-	-
Loans Taken / (Repaid)	3,271	1,360	-	-
Interest Paid	(782)	(849)	(723)	(723)
Dividend paid (incl tax)	(1,399)	(1,944)	(2,954)	(2,954)
Income from investments	-	-	-	-
Others	-	(5,305)	-	-
Financing Cashflow	490	-6,678	-3,678	-3,678
Net chg in cash	6,190	1	4,461	908
Opening cash position	3,415	9,605	9,605	14,067
Closing cash position	9,604	9,605	14,067	14,975

Balance Sheet

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
Equity share capital	281	282	282	282
Reserves & surplus	14,735	19,286	23,751	29,865
Net worth	15,015	19,567	24,033	30,147
Minority Interest				
Secured Loans	5,946	5,802	5,802	5,802
Unsecured Loans	14,523	10,836	10,836	10,836
Loan Funds	20,470	16,638	16,638	16,638
Net deferred tax liab	855	815	815	815
Total Liabilities	36,339	37,020	41,485	47,600
Gross Block	13,074	13,529	16,944	18,444
Less: Depreciation	4,962	5,515	6,341	7,306
Net block	8,112	8,015	10,603	11,139
Cap work in progress	1,464	3,415	1,500	2,000
Investment	1,693	1,705	1,705	1,705
Current Assets	35,101	42,277	48,501	54,632
Inventories	9,264	15,138	16,314	18,789
Sundry debtors	1,398	2,052	3,477	4,004
Cash & bank balance	9,605	9,605	14,067	14,975
Loans & advances	14,834	15,481	14,643	16,864
Other current assets	-	-	-	-
Current lia & Prov	10,031	18,392	20,824	21,876
Current liabilities	9,069	17,070	19,502	20,553
Provisions	962	1,322	1,322	1,322
Net current assets	25,070	23,885	27,677	32,756
Misc. exp	-	-	-	-
Total Assets	36,339	37,020	41,485	47,600

Key Ratios

Y/E, Mar	FY10	FY11	FY12E	FY13E
Profitability (%)				
EBITDA Margin	9.3	10.8	11.5	12.3
Net Margin	6.3	7.0	7.6	8.1
ROCE	20.0	22.3	30.2	32.1
ROE	30.1	29.8	34.0	33.5
RoIC	21.9	32.0	44.8	48.3
Per Share Data (Rs)				
EPS	14.1	18.4	26.4	32.3
CEPS	16.2	20.6	29.4	35.8
BVPS	53.5	69.4	85.3	107.0
DPS	10.0	7.0	9.0	9.0
Valuations (x)				
PER	22.0	16.9	11.7	9.6
P/CEPS	19.1	15.1	10.5	8.7
P/BV	5.8	4.5	3.6	2.9
EV / Sales	1.5	1.3	0.9	0.8
EV / EBITDA	16.6	11.6	7.8	6.3
Dividend Yield (%)	1.6	2.2	2.9	2.9
Gearing Ratio (x)				
Net Debt/ Equity	0.6	0.3	0.0	(0.0)
Net Debt/EBIDTA	1.6	0.7	0.1	(0.0)
Working Cap Cycle (days)	9	1	1	7

Recommendation History: Coromandel International – CRIN IN

Date	Reports	Reco	CMP	Target
22/07/2011	Coromandel Intl Q1FY12 Result Update	Buy	333	435
31/05/2011	Coromandel Intl Event Update	Buy	317	435
25/04/2011	Coromandel Intl Q4FY11 Result Update	Buy	324	435
13/01/2011	Coromandel Intl Q3FY11 Result Update	Buy	279	435

Recent Research Reports

Date	Reports	Reco	CMP	Target
13/10/2011	Kajaria Ceramics Q2FY12 Result Update	Buy	118	143
28/09/2011	GSFC Company Update	Buy	434	530
27/09/2011	Fertiliser Sector Update			
26/08/2011	Fertiliser Policy Update			

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